

State-Local Assistance

Both the U.S. and California economies slowed in 2001. Due to its dependence on the personal income tax and its highly volatile capital gains component, the State faces significant fiscal challenges. However, local revenue sources such as sales and property taxes are less volatile. Consequently, cities and counties have not experienced as drastic a change in revenues as the State.

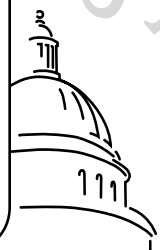
In spite of the current fiscal environment, the Governor's Budget continues the Administration's efforts to support high priority programs of mutual concern to the State and local governments, such as public safety, health and human services, housing, transportation, and resources, as discussed below. Most notably, this Budget includes full reimbursement to local governments for the vehicle license fee offset program, totaling \$3.7 billion.

Since 1999-00, this Administration has made a substantial fiscal commitment to local governments. The general order of magnitude of this State assistance to local governments is also discussed below.

Public Safety

- ❖ **Citizens' Option for Public Safety (COPS) and Juvenile Crime Prevention Programs**—The Budget provides \$232.6 million in 2002-03 to fund the COPS program (\$116.3 million) and local juvenile crime prevention programs (\$116.3 million). COPS supports front-line local law enforcement, sheriffs' departments for jail construction and operations, and district attorneys for prosecution. Through the program, local governments receive a minimum grant of \$100,000 for front-line law enforcement services; all other funds are allocated on a per-capita basis. The juvenile crime prevention programs use various strategies to provide a swift and graduated response for at-risk youth and juvenile offenders, including intensive case management, early intervention, and substance abuse treatment. With the 2002-03 funding, \$807.8 million has been provided for COPS and Juvenile Justice Crime Prevention Programs over the course of this Administration.
- ❖ **Technology Grants for Local Law Enforcement**—The Budget includes \$35.4 million for local law enforcement agencies to purchase high-technology equipment for crime prevention and suppression. Local agencies receive a minimum of \$30,000 and an additional per-capita amount. These funds help local law enforcement agencies address crime prevention and suppression problems through the use of equipment such as mobile computers, radios, and video imaging equipment. With this funding, \$145.8 million has been provided for technology grants over the course of this Administration.

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- ❖ **Fighting High Technology Crime and Identity Theft**—The Budget contains \$13.5 million for the High Technology Theft Apprehension and Prosecution Program, which is comprised of five task forces that use specialized techniques to apprehend and prosecute high technology crimes, such as electronic fraud and software piracy. Of this amount, \$3.3 million is included for identity theft activities, including the training of law enforcement officers, the development of protocols for handling these crimes, and enhanced interagency investigation efforts. The remainder of this funding is used to employ additional local law enforcement officers and agents, expand high technology investigative and forensic training, and provide for forensic equipment purchases. With this funding, \$33.6 million has been provided for the High Technology Theft Apprehension and Prosecution Program over the course of this Administration.
- ❖ **War on Methamphetamine**—The Budget includes \$15 million for disbursement to High Intensity Drug Trafficking Areas (HIDTAs) throughout the State. The HIDTAs will purchase specialized equipment to enhance their methamphetamine suppression activities and hire more investigators, agents, and prosecutors specializing in methamphetamine offenses. With this funding, \$45 million has been provided for the War on Methamphetamine over the course of this Administration.
- ❖ **Booking Fees**—As a county relief measure, Chapter 466, Statutes of 1990, allowed counties to impose a fee on cities and special districts, for the purpose of reimbursing county expenses incurred by such entities from booking a person arrested into the county jail. Chapter 79, Statutes of 1999, allowed cities to be reimbursed by the State for the booking fees cities pay to counties. For 2002-03, the Budget includes \$38 million to reflect full reimbursement to cities and districts. With this funding, \$151 million has been provided for reimbursement of booking fees over the course of this Administration.
- ❖ **Rural and Small County Law Enforcement**—Chapter 205, Statutes of 2001, provided \$18.5 million for \$500,000 grants to county sheriffs of 37 small and rural counties. For 2002-03, this funding is proposed to continue. With this funding, \$37 million has been provided for rural and small county law enforcement over the course of this Administration.

The Budget also includes ongoing assistance totaling \$100.3 million for other public safety programs that benefit local governments, including peace officer training, gang violence suppression, and various prosecution programs. With this funding, \$349.6 million has been provided for these programs over the course of this Administration.



Additionally, the Administration provided \$121 million (\$39 million General Fund, \$82 million bond funds) for local forensic lab improvement grants in 2000-01 and 2001-02.

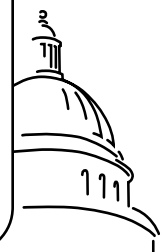
Trial Court Funding

Since 1997-98, the State's share of trial court funding costs has increased from 42 percent to approximately 79 percent. This shift in funding responsibility for trial court operations increases the amount of general-purpose revenue counties have available for other activities. For 2002-03, the shift is worth over \$400 million to the counties. Including 2002-03 funding, \$4.5 billion General Fund has been provided for trial court funding over the course of this Administration.

Health Services Programs

The Governor's Budget has continued to make health programs a priority despite the significant fiscal challenges that resulted from the slowing economy. For 2002-03, Healthy Families and Medi-Cal program enhancements will provide services to more medically needy individuals, and ongoing local assistance will support a wide variety of public health, mental health, and substance abuse treatment programs, thereby reducing counties' obligation to fund these activities.

- ❖ **Healthy Families and Medi-Cal Programs**—For 2002-03, enrollment growth, proposed eligibility expansions, and program simplification are expected to significantly increase participation in these programs. These enhancements, most of which began in 2001-02, are estimated to allow an additional 1.3 million Californians to receive publicly sponsored health care coverage by June 30, 2003, reducing demand for county-funded health care services. The Budget provides \$801.6 million (\$285.8 million General Fund, \$97.6 million Tobacco Settlement Fund) for the expansion of these two health care programs. With this funding, over \$1.2 billion has been provided to expand access to health care for children and adults over the last two years by this Administration. Additionally, over the course of this Administration, approximately \$2.4 billion in total funds has been provided to expand the Healthy Families Program.
- ❖ **Community Health Programs**—The Budget also provides \$2.5 billion (all funds) in ongoing local assistance in 2002-03 for various community health programs, including the following:
 - ❖ \$1.5 billion for community mental health services. With this funding, \$5.1 billion has been provided for community-based inpatient and outpatient mental health services over the course of this Administration.



- ❖ \$65.6 million for Integrated Services for Homeless Adults. With this funding, this Administration has provided \$151.2 million for integrated services including supportive housing, mental health treatment services, job training and placement, substance abuse treatment services, and case management, for those adults who are, or are likely to become, homeless or incarcerated.
- ❖ \$43 million for Children's/Adult Systems of Care. Including the proposed Budget for 2002-03, this Administration has provided \$173 million for integrated services to children and adults over the last four years.
- ❖ \$3.6 million for Supportive Housing. With this funding, \$51.8 million has been provided for supportive housing for the mentally ill over the course of this Administration.
- ❖ \$506.3 million for local substance abuse prevention and treatment services. Including the proposed Budget for 2002-03, this Administration has provided \$2 billion for community- and school-based substance abuse prevention and treatment programs over the last four years.

Human Services Programs

The State provides substantial assistance to local governments for child welfare services, adult protective services, and automated welfare systems. The Governor's Budget includes \$588.4 million General Fund in ongoing local assistance funding in 2002-03 as follows:

- ❖ \$462.2 million for basic Child Welfare Services (CWS) to provide a continuum of services through various programs to children who are abused or neglected. These funds support, among other things, emergency workload relief and child welfare system improvements. With this funding, \$1.6 billion General Fund has been provided for these purposes over the course of this Administration.
- ❖ \$65.8 million for Adult Protective Services (APS), including services provided through the County Services Block Grant, to investigate abuse, neglect, or exploitation of elderly or dependent adults. Services include a 24-hour emergency response system, emergency shelter, food, transportation, and in-home protective care. With this funding, nearly \$255 million General Fund has been provided for protective services to elderly and dependent adults over the course of this Administration.
- ❖ \$60.4 million General Fund for the Statewide Automated Welfare System (SAWS). The SAWS automates welfare eligibility processes and administrative functions performed by counties for the CalWORKs, Medi-Cal, Food Stamp,



Foster Care, Refugee, and County Medical Services programs. With this funding, \$175.1 million General Fund has been provided for this purpose over the course of this Administration.

Alternative Federal Penalty—Because California did not implement a statewide, automated child support system by the federal deadline, the State has been subject to significant annual federal fiscal penalties beginning in 1998-99. Cumulative federal penalties through 2001-02 are \$372.3 million. Although these penalties could have been passed on to counties, the State has taken responsibility for the payments. In partnership with the counties, the State has made a good faith effort to meet the federal automation requirements through use of consortia systems, and currently is on schedule with its procurement of a statewide system.

The Budget anticipates that federal legislation will be enacted to provide relief from the federal penalty in 2002-03, resulting in an estimated General Fund savings of \$181.3 million.

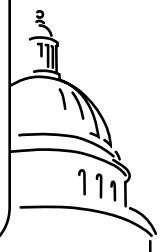
Transportation

Since 1999-00, the Administration has provided over \$5.2 billion in State funding and over \$4.4 billion in federal funds to support local transportation needs. The 2002-03 Budget provides funding for ongoing programs of benefit to local communities, as follows:

- ❖ \$5 million for a new Freeway Service Patrol grant program to local transportation agencies to reduce traffic congestion, in addition to the base program of \$21.2 million. Since 1999-00, the Administration has supported over \$87.4 million for the program.

Transportation Initiative—The Administration sponsored an eight-year commitment for increased funding for transportation that began in 2000-01 with \$2 billion from the General Fund. Over its eight-year life, this transportation initiative will provide over \$8 billion in funding to benefit communities in the following ways:

- ❖ \$1.3 billion to local governments for local street and road maintenance. The 2002-03 Budget reflects \$162 million to cities and counties for local streets and roads. Since 2000-01, over \$706 million has been budgeted for this purpose.
- ❖ \$1.8 billion for transportation projects and operations, of which nearly three-quarters are selected by local agencies.



- ❖ \$4.9 billion for the Traffic Congestion Relief Program that funds 142 projects selected with local input and, in many cases, matches local funds. The 2002-03 Budget reflects \$783 million for the Traffic Congestion Relief Program to fund projects. Since 2000-01, over \$1.4 billion has been budgeted for these projects.

Traditional Transportation Funding—Funding for these programs comes primarily from fuel taxes:

- ❖ \$332 million from the State Highway Account for projects delivered and selected by local agencies, bridge repair and replacement, railroad grade crossing improvements, and matching funds. Since 1999-00, the Administration has supported over \$1.7 billion for these programs.
- ❖ \$115.5 million for special transportation programs to provide operating funds to local transit agencies. These funds can be used for road purposes in small counties. Since 1999-00, the Administration has supported over \$502.6 million for this program.
- ❖ \$125 million for the Proposition 116 Bond Program for projects designated in the bond act. Since 1999-00, the Administration has supported over \$460 million for these projects.
- ❖ \$32 million for grants and loans for bicycle transportation, pedestrian safety, airports, and Bay Area ferry planning. Since 1999-00, the Administration has supported over \$108 million for these and similar programs.
- ❖ \$3.2 million in planning grants and other transit-related activities. Since 1999-00, the Administration has supported over \$159 million for mass transportation programs and activities.
- ❖ \$286 million for capital outlay projects selected by local agencies. These funds will result in a federal match estimated at \$637 million, for a total of \$923 million for high priority local projects. Since 1999-00, the Administration has supported over \$3.6 billion in expenditures for similar projects.

Resources and Environmental Protection

The Budget provides ongoing assistance in 2002-03, as follows:

- ❖ \$96 million for the Water Resources Control Board Service Revolving Fund. With this funding, \$598 million has been provided over the course of this Administration for wastewater treatment facility loans.



- ❖ \$28 million for used oil recycling programs and reduction of waste tire stock-piles. With this funding, \$137 million has been provided over the course of this Administration for used oil recycling programs, the reduction of waste tire stock-piles, and the development of markets for recycled products.
- ❖ \$10.1 million for assistance to local air pollution control boards, including enforcement and compliance activities to improve air quality. With this funding, \$48 million has been provided for assistance to local air pollution control districts, including the enforcement and compliance activities to improve air quality, over the course of this Administration.

Other Resources funding provided to local governments since 1999-00 includes:

- ❖ \$2.1 billion for the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000.
- ❖ \$1.9 billion for the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000.
- ❖ \$215.1 million for flood control project subventions.

Additionally, the Administration is supporting the California Clean Water, Clean Air, Safe Neighborhood, Parks, and Coastal Protection Bond Act on the March 2002 ballot to provide additional assistance to local entities.

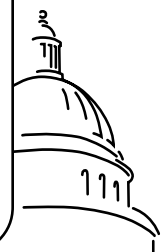
Infrastructure Bank

The Budget provides ongoing assistance in 2002-03 of \$150 million for loans to local government agencies from the California Infrastructure and Economic Development Bank within the Technology, Trade, and Commerce Agency for a variety of economic development projects, such as water treatment plants and public safety facilities. With the planned 2002-03 expenditures, \$350 million in loans will have been provided over the course of this Administration.

Housing and Community Development

Programs to assist in the creation, rehabilitation, and purchase of affordable housing are primarily delivered by non-profit developers at the local level. The Administration has supported \$500 million in housing program expenditures from the General Fund that benefited local communities throughout the State, including:

- ❖ \$177 million for multifamily housing loans.



- ❖ \$82 million for homeownership assistance.
- ❖ \$25 million for creation of housing in downtowns.
- ❖ \$83 million for farmworker housing.

Since 1999-00, funding provided directly to local governments has included:

- ❖ \$12 million for the Central Valley Infrastructure grants.
- ❖ \$10 million for economic development grants.
- ❖ \$5 million for housing building code enforcement grants.

Public Libraries

The Budget provides ongoing assistance in 2002-03 as follows:

- ❖ \$41.8 million for local public libraries to provide basic library services under the Public Library Foundation Program. With this funding, over \$200 million has been provided over the course of this Administration.
- ❖ \$12.1 million to reimburse handling costs for public library lending purposes. With this funding, \$44.3 million has been provided for public library reimbursements over the course of this Administration.
- ❖ \$6.9 million for programs that promote resource sharing among public libraries throughout California and through regional library networks. With this funding, \$29.3 million has been provided for this purpose over the course of this Administration.
- ❖ \$5.5 million for programs that provide literacy and pre-literacy services for adults and children and for the recruitment and training of tutors. With this funding, \$24.6 million has been provided for library literacy programs over the course of this Administration.

Other library funding provided since 1999-00 includes:

- ❖ \$350 million from the California Library Construction Bond Act.



- ❖ \$57 million for various other programs that benefit local libraries, including local projects (\$1.8 million), civil liberties education grants (\$4 million), California Newspaper Project (\$0.9 million), federal programs (\$48.8 million), and various other grants (\$1.5 million).

Other Funding

The State provided local governments with one-time discretionary funding of \$150 million in 1999-00 and \$212 million in 2000-01.

